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Box PATENT APPLICATION

Assistant Commissioner for Patents
Washington, D.C. 20231

Attorney Reference: ARC000009US1-IBM



Re: New Patent Application of: Nimrod MEGIDDO
Title: SYSTEM, METHOD AND PROGRAM PRODUCT FOR
AUTOMATICALLY MANAGING CONTRACTS

Sir:

Please find attached hereto an application for patent which includes:
Specification, Claims, Assignment, Declaration, and Power of Attorney.
Drawings: 2 sheets, Figures 1-2
Fee (see formula below)

Basic Fee \$680/345 \$ 690.00

Additional Fees:

Total number of claims: 20

in excess of 20: 0 times \$9/18 \$ 00.00

Number of independent claims: 3

in excess of 3: 0 times \$39/78 \$ 00.00

Multiple Dependent Claims \$130/260 \$ 00.00

An Assignment and recordation cover sheet are likewise enclosed;

Recording Fee \$40. \$ 40.00

TOTAL FEES FOR THE ABOVE APPLICATION \$ 730.00

In the event there is attached hereto no check, or a check for an insufficient amount, please charge the fee to our Account No. 18-0002 and notify us accordingly.

Respectfully submitted,

Charles W. Peterson, Jr. (Registration No. 34,406)

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SYSTEM, METHOD AND PROGRAM PRODUCT FOR AUTOMATICALLY MANAGING CONTRACTS

DESCRIPTION

BACKGROUND OF THE INVENTION

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Field of the Invention

The present invention generally relates to methods of contract management and, more particularly to managing contingency contracts or agreements in electronic commerce.

Background Description

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Agreements often include one or more conditions that affect the duties and obligations in a bargain of the contracting parties. These conditions may be based upon events that may or may not occur or, upon required actions by any or all of the contracting parties. Conditions which require the occurrence of an event to satisfy the condition are known as conditions precedent. Conditions which require the event not to occur are referred to as conditions subsequent. Agreements or contracts containing such conditions, which also may be referred to as contingencies, may be referred to as contingency contracts.

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For example, in a real estate sales agreement a home buyer may be committed to purchase a house, provided the house passes inspection, i.e., as a condition precedent. If the house does not pass the inspection there may be no obligation on the part of either party. In yet another condition of the same real estate sales agreement, the home buyer

may commit to buy the house, unless the buyer cannot arrange financing under predetermined terms, i.e., a condition subsequent. The buyer's subsequent failure to obtain financing would discharge the buyer's obligation to purchase the house. Prior to the occurrence of these contingent events, it cannot be determined with absolute certainty whether the sale will ever occur.

Thus, until it can be determined whether or not a contingent event occurs, the contract is indeterminate with respect to that event. By contrast, once the contingent event occurs, the contract is determinate with respect to that event. Further, typically, occurrence of these contingent events are time limited to make the contract determinate after a period of time.

Typically, depending upon the particular contingency, one contracting party must notify others upon satisfaction of the conditions or the failure thereof. Also, very often these contingencies depend upon the actions of third parties, e.g., a lender, a housing inspector. Miscommunication between the parties can kill or delay the sale and, in some instance result in lawsuits, e.g., where the seller, believing the buyer could not get financing, agrees to sell the property to a second buyer.

Thus, parties to commercial transactions need ways to include contingencies based on events that are recognized, automatically, by a commerce management system managing commercial transactions.

SUMMARY OF THE INVENTION

It is therefore a purpose of the present invention to improve contract management;

It is another purpose of the present invention to automatically manage contract contingencies;

It is yet another purpose of the present invention to reduce miscommunication between parties to an indeterminate contingency agreement.

5 The present invention is a system, method and program product for commerce management, especially for managing contingency agreements or contracts. An agreement is entered into the system, logging conditions for the agreement and identifying potential responses to satisfy each condition. A location may be identified for each identified potential response, e.g. a HTML link to an internet web site. Milestones
10 are set to determine when to check whether conditions have been satisfied. As each milestone is encountered information is retrieved from the locations or provided manually. The retrieved information is checked to determine whether the agreement is determinate, i.e., all of the conditions have been satisfied or, the agreement has failed because one condition will not be satisfied. If more conditions remain unsatisfied and are
15 identified with subsequent milestones, the most recent milestone is recorded. The contracting parties are notified regarding milestones passed and status of the agreement and reminders may be sent. Notification and reminders may be sent by electronic mail (e-mail) or by more traditional mail.

BRIEF DESCRIPTION OF THE DRAWINGS

20 The foregoing and other objects, aspects and advantages will be better understood from the following detailed preferred embodiment description with reference to the drawings, in which:

Figure 1 is an example of the preferred embodiment contract management system of the present invention;

Figure 2 is a flow diagram of the preferred contract contingency management method of the present invention.

DETAILED DESCRIPTION OF A PREFERRED EMBODIMENT OF THE INVENTION

5 Referring now to the drawings, and more particularly, Figure 1 is an example of a commerce management system 100 for managing commercial transactions according to the preferred embodiment of the present invention. The preferred system 100 includes multiple input terminals 102 and 104 remotely connected to one or more servers 106. The terminals 102, 104 and server may be connected together, for example, over what is
10 known as the Internet or the World Wide Web (www) 108. The server 106 maintains contract contingency related information that may include typically used information, e.g., the “consumer’s price index” (CPI) or the “prime lending rate” (Prime), as well as agreement specific contingency information. Agreement specific information may be provided by the contracting parties or, preferably, provided independently by an
15 originating third party, e.g., the buyer’s lender or a building inspector. One or more printer 110 may be remotely connected or connected directly to one or more of the terminals 102, 104 and, optionally, to the server 106.

When an agreement is reached, the contract may be registered at one of the terminals 102, 104 and any conditions in the contract may be identified and logged in a
20 database in the server 106. In particular, the preferred commerce management system 100 maintains one or more lists of all contingency milestones or deadlines for every registered agreement. Collected information is stored in a suitable data structure form, e.g., a heap, to facilitate, as each milestone is reached, fast selection of a next milestone.

At each milestone the system 100 fetches contingency data corresponding to that milestone and updates corresponding contract information accordingly. Thus, at any particular milestone the system 100 may indicate that an agreement may have become determinate, i.e., either the agreement has failed for failure to satisfy a condition precedent or failed because of the occurrence of an event satisfying a condition subsequent; or, a condition precedent has been satisfied. (Passage of a milestone without satisfaction of a condition subsequent is treated as satisfaction of a condition precedent.)

Optionally, the system may also include milestones to trigger initiating tasks that facilitate the contractual process such as ordering inspections and tests. For these optional milestones the system 100 sends reminders, preferably using electronic mail (e-mail) at an appropriate time or, a reminder is printed on printer 110 and mailed using an appropriate carrier such as the U.S. Postal Service. Further, the system 100 notifies the parties to a contract after the occurrence or lack thereof of each conditional event using an appropriate carrier or e-mail. Thus, the system 100 may inform the parties automatically of conditions being met to remove contingencies, of fixing contractual variables (e.g, mortgage rate) or of failure of the contract due to the lack of the occurrence of a condition precedent. Also, the system 100 may remind parties automatically of individual contractual obligations, e.g., apply for a loan, sell stock, etc.

Figure 2 is a flow diagram of the preferred automatic contingency contract management method 120 of the present invention. As noted hereinabove, contractual conditions are entered in the system 100 and the contracting parties may go their separate ways. Typically, each party takes whatever steps are required to see that contractual conditions (precedent) are satisfied. When an agreement is entered into the system 100, in addition to entering information to identify the contracting parties, in step 122 the conditions are identified with a contingency and a milestone deadline is associated with

each condition. Alarms are set in the system 100 for each milestone. Also, for conditions contingent upon independent informational sources such as the CPI or Prime, those informational sources are identified and links are provided to the sources. Having entered conditional information, the system enters a wait state in step 124 and no further action is taken until a milestone deadline occurs. It should be noted that milestones may be checked periodically prior to the deadline and, checking a milestone may be initiated manually at any time prior to the deadline.

When a milestone deadline occurs in step 126, a system timer sends a flag to initiate checking contract contingencies. Also, where appropriate, reminders may be sent and any information related to the particular deadline is retrieved. Such deadline related information may be retrieved by the system automatically, from previously identified links, as well as being provided manually in step 128 by individuals, e.g., a building inspector's report. In step 130, the retrieved information is checked to determine if the contract is determinate, i.e., all conditions have been met or one condition has failed. If the contract is determinate, then in step 132, the results are recorded. After recording results the contracting parties are notified in step 134 and in step 136 the system 100 is returned to a wait state until the next milestone deadline. If the contract is not yet determinate in step 130, some conditions still require additional action and, in step 138 passage of the particular deadline is recorded. The next milestone deadline is scheduled in step 140. Parties are notified of the passage of each milestone in step 134 and in step 136 the system 100 is returned to a wait state until the next milestone.

Thus, the commerce management system 100 of the preferred embodiment of the present invention allows contracting parties to select contingencies in their agreement having some contingent terms depend on events and data that may be observed to manage the contracts automatically.

MILESTONE EXAMPLES

As indicated above, conditions may depend upon independent informational sources. For example, links may be provided to informational sources including, but not limited to:

5 **Conditioned upon the Buyer Obtaining a Loan:** In particular, home sales contracts include contingency clauses making the sales agreement conditioned upon the buyer obtaining a home loan. Home mortgage loans are available over the www from web based lenders. In this example the home seller and buyer parties can agree that the buyer will apply for a loan from web based lender. The system 100 would be given
10 permission to check the loan application status, automatically, and remove the contingency, automatically, when the condition is met, i.e., when the loan is approved or, indicating failure of the contract when the home loan is denied.

Exchange Rates: Parties to an international transaction may agree that the purchase price of products will be fixed on the day of delivery of the goods rather than at
15 the time of signing the contract and, further that the purchase price depends on a certain exchange rate. These specific dependencies can be specified in the agreement. For example, such a contract may recite “buyer agrees to pay in Swiss Francs an amount equal to \$1000 at the dollars to Swiss Francs exchange rate as published in
20 <http://www.cnnfn.com/markets/currencies/> at 12 noon on April 16 or the day of the delivery, whichever is earlier.”

Interest Rates: A seller may be willing to lend money to a buyer to facilitate a transaction. The loan financing terms may be set, automatically, by retrieving information readily available on the world-wide-web. For example, such a sales

agreement may recite: "Seller agrees to loan buyer \$10,000 at a fixed interest rate equal to what is commonly referred to as the "prime lending rate" as posted at 12 noon on the day of this Agreement at <http://www.cnnfn.com/markets/bondcenter/shortterm.html>." In another example, one party's obligation may be conditioned upon an external indicator reciting: "buyer agrees to purchase product provided the rate listed as the '3 month LIBOR' at <http://www.cnnfn.com/markets/bondcenter/shortterm.html> is at least 7% on 12 noon of December 31, 2000."

Unit Price Based on Purchase Volume: Typically, suppliers offer volume discounts to customers. However, these volume discounts are based on the number of units of a particular order. The system of the present invention can allow sellers to commit to sell items at an automatically determined unit price based on total volume purchased by a specific deadline. An e-merchant (i.e., a merchant conducting business over the internet) can make sales volume history available, so that the volume may be aggregated and the discount provided, automatically.

Material or Commodities Costs: A manufacturer may agree to fill an order contingent upon raw material prices remaining below a particular value, i.e., a condition subsequent. Thus, where raw material prices are published regularly on the www, an appropriate condition may be included in the contract such as that provided above.

Yet other conditions may be included where appropriate. For example, purchasing tickets to outdoor events may be contingent, for example, on a favorable weather forecast for the event, published on a specified web site two days before the event. Some public auctions results are available on the www and contracts may be conditioned on such auction results. A contractual relationship may be conditioned upon

election or ballot proposition results by providing an internet address pointing to a site containing expected results.

5 Additionally, contracting parties wishing to condition a contract on more private individual events may be facilitated by one or both parties posting information on a private internet site. For example, parties with access to the same Web site that is “for members only” can select contingencies based on events that may be directly related to one of the parties, themselves. So, the parties may condition the agreement upon winning some internal competition, being elected, etc. The foregoing milestone examples are included for example only and not intended as limitations.

10 While the invention has been described in terms of preferred embodiments, those skilled in the art will recognize that the invention can be practiced with modification within the spirit and scope of the appended claims.

CLAIMS

What is claimed is:

- 1 1. A commerce management method for managing agreements including one or
2 more contingencies, said method comprising the steps of:
 - 3 a) logging at least one condition for an agreement and identifying at least one
4 potential response as indicating satisfaction of said at least one condition;
 - 5 b) retrieving information related to responses to each condition;
 - 6 c) checking said retrieved information to determine whether said agreement
7 is determinate; and
 - 8 d) notifying contracting parties when said agreement is determined to be
9 determinate.
- 1 2. A commerce management method as in claim 1, wherein the logging step (a)
2 further includes logging at least one milestone corresponding to satisfaction of each said
3 condition.
- 1 3. A commerce management method as in claim 2, further comprising after the
2 logging step (a), the steps of:
 - 3 a1) setting an alarm responsive to each milestone; and
 - 4 a2) waiting for an occurrence of one said alarm prior to proceeding to the
5 retrieval step (b).
- 1 4. A commerce management method as in claim 3, wherein the retrieving step (b)
2 comprises automatically retrieving information from previously identified remotely
3 connected locations.

1 5. A commerce management method as in claim 4, wherein the retrieving step (b)
2 further comprises the steps of:
3 i) sending reminders to parties identified in said agreement; and
4 ii) receiving input from said parties, said input being included in said
5 retrieved information.

1 6. A commerce management method as in claim 3, wherein the waiting step (a)
2 comprises, responsive to the occurrence of one said alarm, the further step of:
3 a3) sending reminders to parties identified in said agreement.

1 7. A commerce management method as in claim 3, wherein the checking step (c)
2 comprises:
3 i) recording responses to satisfied conditions; and
4 ii) logging passage of each said milestone corresponding to the alarm
5 occurrence.

1 8. A commerce management method as in claim 7, further comprising after the step
2 (d) of notifying the parties, returning to the waiting step (a2) and, the waiting step (a2)
3 further comprises returning to the logging step (a) responsive to a request by a contracting
4 party to log conditions for a new agreement.

1 9. A commerce management method as in claim 7, wherein the step (d) of notifying
2 the parties, notifies parties that the contract has failed when a response to a condition
3 indicates said condition cannot be satisfied.

10. A commerce management method as in claim 7, wherein the step (d) of notifying the parties, notifies parties that the contract is determinate when identified satisfying responses have been received for each said condition.

11. A commerce management method as in claim 7, wherein the step (d) of notifying the parties, notifies parties a milestone has passed and a corresponding condition remains unsatisfied.

12. A commerce management system comprising:
a plurality of remotely connected terminals, contracting parties entering information about contract conditions in said terminals;
a storage maintaining a contingency agreement database, said contingency agreement database including contracting party information and condition information on a plurality of agreements, said condition information comprising including:
one or more potential responses satisfying each condition, and
one or more milestone for each said potential response; and
an automatic data retriever retrieving condition response information from one or more remotely connected computers.

13. A commerce management system as in claim 12, further comprising:
an automatic mailer selectively sending reminders to parties identified in said database and notifying contracting parties when a corresponding agreement is determinate.

1 14. A commerce management system as in claim 13 further comprising:
 2 a timer sending alarms to said automatic data retriever and said automatic mailer
 3 responsive to said milestones, said automatic data retriever retrieving data and said
 4 automatic mailer sending reminders responsive to alarms from said timer.

1 15. A commerce management system as in claim 14 wherein said automatic mailer
 2 sends electronic mail (e-mail) to parties identified by an e-mail address.

1 16. A computer program product commerce management, said computer program
 2 product comprising a computer usable medium having computer readable program code
 3 thereon, said computer readable program code comprising:
 4 computer readable program code means for logging conditions for agreements and
 5 for each logged condition identifying at least one potential response as indicating
 6 satisfaction;
 7 computer readable program code means for retrieving information related to
 8 responses to each condition;
 9 computer readable program code means for checking said retrieved information to
 10 determine whether said agreement is determinate; and
 11 computer readable program code means for notifying contracting parties when
 12 said agreement is determinate.

1 17. A computer program product as in claim 16 further comprising:
 2 computer readable program code means for maintaining a list of milestones, at
 3 least one milestone corresponding to each of said logged conditions.

1 18. A computer program product as in claim 17, wherein the computer readable
 2 program code means for logging conditions also logs parties identified with said

SYSTEM, METHOD AND PROGRAM PRODUCT FOR AUTOMATICALLY MANAGING CONTRACTS

ABSTRACT OF THE INVENTION

A system, method and program product for commerce management, especially for managing contingency agreements or contracts. An agreement is entered into the system, logging conditions for the agreement and identifying potential responses to satisfy each condition. A location may also be identified for each identified potential response, e.g. a HTML link to an internet web site. Milestones are set to determine when to check whether conditions have been satisfied. As each milestone is encountered information is retrieved from the locations or provided manually. The retrieved information is checked to determine whether the agreement is determinate, i.e., all of the conditions have been satisfied or, the agreement has failed because one condition will not be satisfied. If more conditions remain unsatisfied and are identified with subsequent milestones, the most recent milestone is recorded. The contracting parties are notified regarding status of the agreement and of passing any milestone. Notification and reminders may be by electronic mail (e-mail) or by more traditional mail.

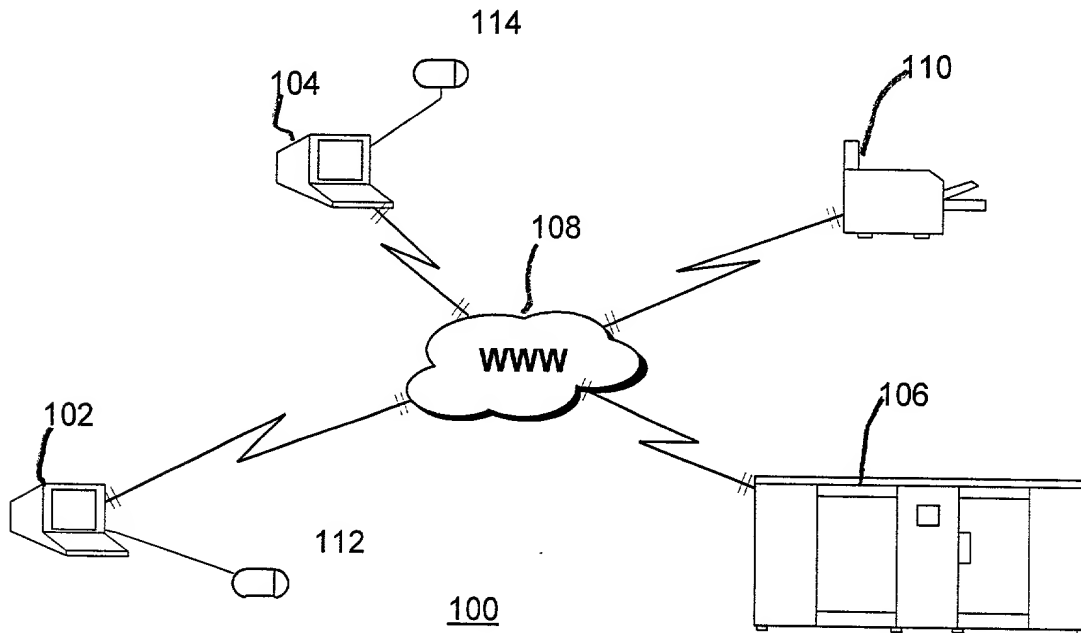


Fig. 1

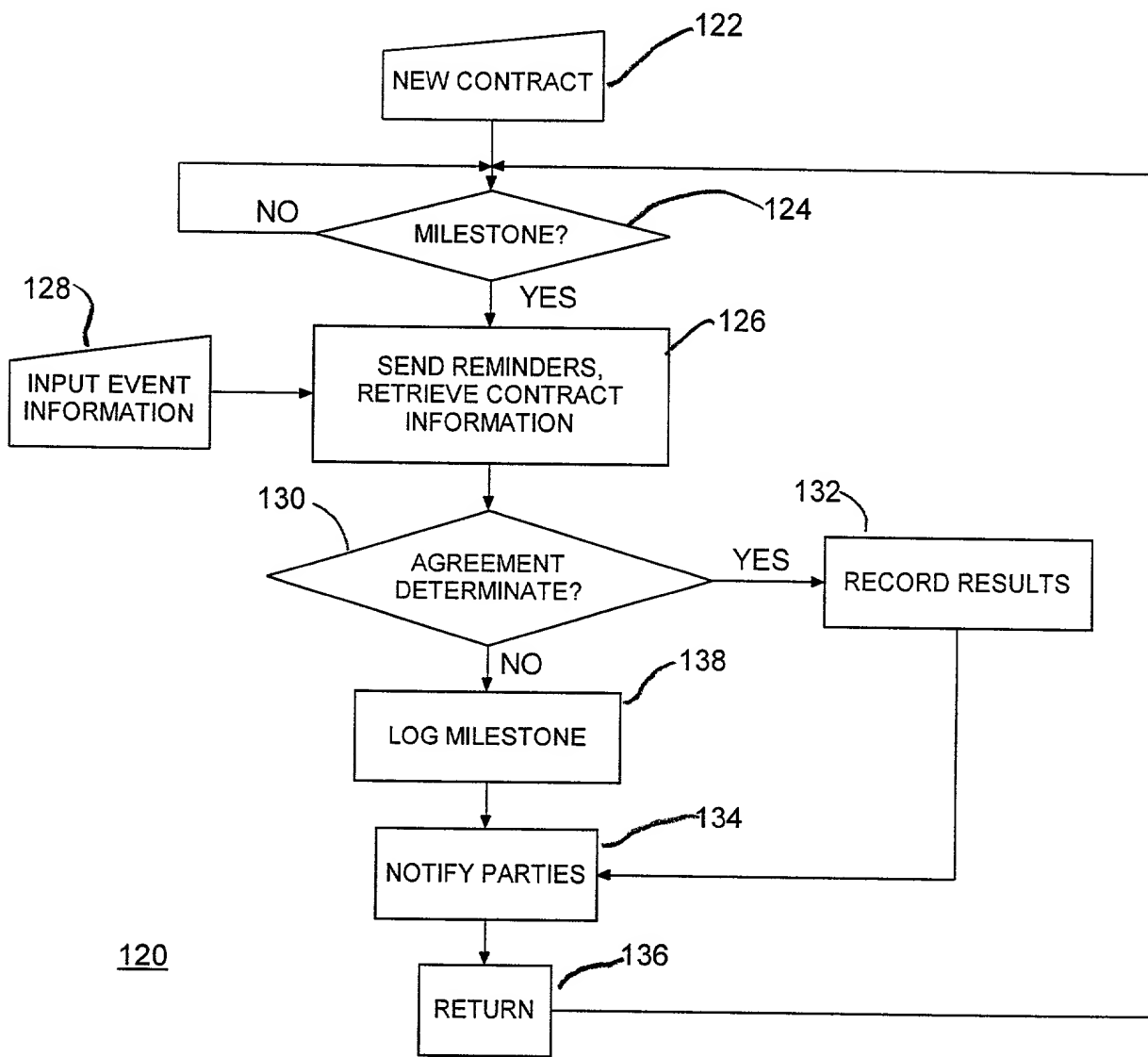


Fig. 2

DECLARATION AND POWER OF ATTORNEY FOR PATENT APPLICATION

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter which is claimed and for which a patent is sought on the invention entitled

SYSTEM, METHOD AND PROGRAM PRODUCT FOR AUTOMATICALLY MANAGING CONTRACTS

the specification of which is attached hereto unless the following box is checked:

was filed on _____
 as United States Application Number or PCT International Application Number _____
 and was amended on _____ (if applicable).

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose information which is material to patentability as defined in 37 CFR §1.56.

I hereby claim foreign priority benefits under 35 USC §119(a-d) or §365(b) of any foreign application(s) for patent or inventor's certificate, or §365(a) of any PCT International application which designated at least one country other than the United States, listed below and have also identified below, by checking the box, any foreign application for patent or inventor's certificate, or PCT International application having a filing date before that of the application on which priority is claimed.

Prior Foreign Application(s):

Priority Not Claimed

(Number) (Country) (Day/Month/Year Filed)

I hereby claim the benefit under 35 USC §119(e) of any United States provisional application(s) listed below:

Provisional Application(s):

(Application Number) (Filing Date)

I hereby claim the benefit under 35 USC §120 of any United States application(s), or §365(c) of any PCT International application designating the United States, listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States or PCT International application in the manner provided by the first paragraph of 35 USC §112, I acknowledge the duty to disclose information which is material to patentability as defined in 37 CFR §1.56 which became available between the filing date of the prior application and the national or PCT International filing date of this application.

(Application Number) (Filing Date) (Status - patented, pending, abandoned)

Power of Attorney:

I hereby appoint the following attorney(s) and/or agent(s) to prosecute this application and to transact all business in the Patent and Trademark Office connected therewith:

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I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Full name of sole or first inventor:

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Inventor's signature:

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